

**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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SF 122 - Energy Star Appliance Sales Tax Exemption (LSB 2314 SS)  
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Fiscal Note Version - New

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**Description**

Senate File 122 exempts purchases of refrigerators, clothes washing machines and dishwashers meeting Energy Star requirements from State sales tax, local option sales tax (LOST), and school infrastructure local option (SILO) sales tax. The Bill is effective January 1, 2008.

**Background**

Energy Star is a program established by the Federal Environmental Protection Agency and Department of Energy. The Program identifies appliances meeting the specific energy efficiency standards.

**Assumptions**

The following table provides U.S. Energy Star sales and price estimates assumptions:

<u>Appliance</u>	<u>U.S. Annual Sales (Units)</u>	<u>Energy Star % of Sales</u>	<u>Average Energy Star Price</u>
Refrigerator	11,529,000	37%	\$ 1,309
Washing Machine	9,717,000	33%	\$ 774
Dishwasher	7,869,000	88%	\$ 424

- Assumes lowans purchase 0.996% of appliances sold in the United States.
- Energy Star percent of sales is based on data published at [www.northenergystar.org](http://www.northenergystar.org) and is based on the 2005 national average.
- The average price of each type of Energy Star compliant appliance was calculated by dividing the models advertised for sale at Lowes.com and Sears.com into quarters based on price. The top priced model in the bottom quarter was determined, and the prices of the two retailers were averaged. Energy Star compliant side-by-side refrigerators, top loading washers, and built-in dishwashers were priced.
- The State sales/use tax rate is 5.00%.
- Statewide the local option sales tax (LOST) and the school infrastructure local option (SILO) sales tax averages 1.68%.
- Assumes the General Fund revenue impact in FY 2008 will represent half the sales of Energy Star compliant appliances eligible for the sales tax exemption.

### **Fiscal Impact**

The sales tax exemption contained in SF 122 would reduce net General Fund revenue by an estimated \$2.7 million and LOST and SILO sales tax revenue by \$920,000 in FY 2008. The impact in FY 2009 and beyond will be a reduction of \$5.5 million in net General Fund revenue and \$1.8 million in LOST and SILO sales tax revenue.

	<b>Est. Reduction in General Fund Revenues</b>		<b>Est. Reduction in LOST and SILO</b>	
<b>FY 2008</b>	\$	2,738,597	\$	920,169
<b>FY 2009 and Beyond</b>	\$	5,477,194	\$	1,840,337

### **Sources**

Association of Home Appliance Manufacturers ([www.aham.org](http://www.aham.org))

Sears.com

Lowes.com

Northwest Energy Star ([www.northwestenergystar.com](http://www.northwestenergystar.com))

U.S. Census Bureau, Annual Population Estimates, July 2006

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/s/ Holly M. Lyons

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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